

YFC-BONEAGLE ELECTRIC CO., LTD.**Parent-Company-Only Financial Statements**

**with Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: No. 12-9, Ln. 130, Sec. 2, Zhongshan E. Rd., Xinwu Dist, Taoyuan City 327,
Taiwan (R.O.C.)
Telephone: +866(3)477-8846

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Parent-Company-Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~24
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24
(6) Explanation of significant accounts	25~57
(7) Related-party transactions	57~62
(8) Pledged assets	62
(9) Commitments and contingencies	63
(10) Losses Due to Major Disasters	63
(11) Subsequent Events	63
(12) Other	64
(13) Other disclosures	
(a) Information on significant transactions	65~67
(b) Information on investees	68
(c) Information on investment in mainland China	69
(d) Major shareholders	69
(14) Segment information	70
9. Major accounting items in assets, liabilities, equity & profit and loss	71~81



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

3

Independent Auditors' Report

To the Board of Directors of YFC-BONEAGLE ELECTRIC CO., LTD.:

Opinion

We have audited the parent-company-only financial statements of YFC-BONEAGLE ELECTRIC CO., LTD. ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2020 and 2019, and parent-company-only notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the parent-company-only financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the parent-company-only financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to note (4)(n) for significant accounting policy related to revenue recognition. For the details of revenue, please refer to note (6)(v).

Description of key audit matter:

The sale transactions of the Company are mainly under FOB shipping point terms. Transfers of risk and rewards generally occurs upon loading the goods onto the relevant carrier at the port. In addition, the company provide a part of customers discounts based on the agreement. Consequently, revenue recognition has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures include:

- Testing the related controls surrounding revenue collection and assessing whether the revenue recognition policies comply with the accounting standards.
- Examining the agreements of selected customers to determine whether the accounting treatment is consistent with the contract terms and provisions stated and executing specific audit procedures.
- Performing trend analysis on major customers and products and compare the current actual sales with the prior one to determine whether any significant variances exist.
- Testing the accuracy and appropriateness of management's calculation of sales discounts by estimating them based on the actual sales discounts in the previous years; examining subsequent sales discount to assess whether there are any significant differences.
- Assessing the adequacy of the Company disclosures in respect of revenue recognition.

2. Investments accounted for using equity method

Please refer to note (4)(h) and (6)(e) for significant accounting policies and the details of investments subsidiaries.

Description of key audit matter:

Investments accounted for using equity method is an important and a significant aspect of the Company. Therefore, the valuation of investments accounted for using equity method has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures included:

- Reviewing the financial statements and related information of all subsidiaries.
- Designing and implementing the audit procedures based on relevant regulations. For instance, testing the changes on the investments accounted for using equity method in the current year, including the recognition of the shares of profit of subsidiaries accounted for using equity method and the shares of other comprehensive income, then comparing and analyzing the changes in the actual amounts of the previous and current year whether the investments accounted for using equity method evaluation policies comply with the accounting standards.
- Assessing the adequacy of the Company's disclosures in respect of the investments accounted for using equity method.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yuan-Chen Mei and Chiu-Hua Hsieh.

KPMG

Taipei, Taiwan (Republic of China)

March 29, 2021

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets				Liabilities and Equity				December 31, 2020		December 31, 2019									
	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019		Amount	%	Amount	%								
Assets																				
Current assets:																				
1100	Cash and cash equivalents (note (6)(a))	\$ 155,662	2	262,903	4	2100	Short-term borrowings (note (6)(j))		\$ 1,699,603	23	1,442,930	22								
1150	Notes receivable, net (note (6)(b))	3,462	-	4,268	-	2110	Short-term notes and bills payable (note (6)(k))		129,886	2	229,823	3								
1170	Accounts receivable, net (note(6)(b))	1,298,809	18	673,671	11	2130	Current contract liabilities (note (6)(v))		40,979	1	32,056	1								
1180	Accounts receivable from related parties, net (note (6)(b) and (7))	501,053	7	337,731	5	2170	Accounts payable		120,544	2	101,827	2								
1200	Other receivables (note (6)(c))	7,381	-	4,897	-	2180	Accounts payable to related parties (note (7))		521,285	7	421,347	6								
1210	Other receivables from related parties (note (6)(c) and (7))	123,345	2	116,881	2	2200	Other payables (note (6)(n))		79,061	1	52,315	1								
130X	Inventories (note (6)(d))	215,227	3	135,995	2	2220	Other payables to related parties (note (7))		1,031,887	14	320,310	5								
1470	Other current assets (note (6)(i))	24,832	-	20,853	-	2230	Current tax liabilities		51,173	1	12,089	-								
	Total current assets	2,329,771	32	1,557,199	24	2280	Current lease liabilities (note (6)(o))		8,201	-	8,550	-								
Non-current assets:																				
1550	Investments accounted for using equity method (note (6)(e) and (13))	4,453,675	62	4,530,301	69	2300	Long-term liabilities, current portion (note (6)(l)(m) and (8))		128,464	2	916,194	14								
1600	Property, plant and equipment (note (6)(f) and (8))	311,730	5	296,596	5	2300	Other current liabilities (note (6)(p))		1,752	-	392	-								
1755	Right-of-use assets (note (6)(g))	12,756	-	21,064	-		Total current liabilities		3,812,835	53	3,537,833	54								
1780	Intangible assets (note(6)(h))	1,561	-	2,594	-	2530	Bonds payable (note (6)(m)(s))		138,370	2	-	-								
1840	Deferred tax assets (note (6)(r))	84,603	1	52,279	1	2540	Long-term borrowings (note (6)(l) and (8))		588,913	8	623,613	10								
1915	Prepayments for business facilities	18,032	-	25,230	-	2580	Non-current lease liabilities (note (6)(o))		5,291	-	13,493	-								
1900	Other non-current assets (note (6)(i)(q) and (8))	5,899	-	99,359	1	2600	Other non-current liabilities (note (6)(p))		3,624	-	100	-								
	Total non-current assets	4,888,256	68	5,027,423	76	2650	Credit balance of investments accounted for using equity method (note (6)(e))		44,043	1	31,344	-								
									780,241	11	668,550	10								
									4,593,076	64	4,206,383	64								
Total assets																				
		\$ 7,218,027	100	6,584,622	100		Equity attributable to owners of parent (note (6)(m)(s)):													
							3110	Ordinary share	1,310,466	18	1,245,545	19								
							3130	Bond conversion entitlement certificates	4,570	-	-	-								
								Subtotal	1,315,036	18	1,245,545	19								
							3200	Capital surplus	800,209	11	677,621	10								
							3300	Retained earnings	848,924	12	651,204	10								
							3400	Other equity interest	(339,218)	(5)	(196,131)	(3)								
								Total equity	2,624,951	36	2,378,239	36								
								Total liabilities and equity	\$ 7,218,027	100	6,584,622	100								

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
4100 Operating revenue (note (6)(v) and (7))	\$ 4,817,598	100	2,289,816	100
5110 Operating costs (note (6)(d)(q)(u), (7) and (12))	<u>4,309,926</u>	<u>89</u>	<u>2,044,643</u>	<u>89</u>
5900 Gross profit from operations	507,672	11	245,173	11
5920 (Less) add: (Realized) unrealized loss from sales to related parties, net (note (7))	(84)	-	(357)	-
5900 Gross profit from operations	<u>507,588</u>	<u>11</u>	<u>244,816</u>	<u>11</u>
Operating expenses (note (6)(b)(o)(q)(u), (7) and (12)):				
6100 Selling expenses	55,622	1	63,686	3
6200 Administrative expenses	117,316	3	100,909	4
6300 Research and development expenses	8,423	-	6,889	-
6450 Expected credit loss (profit)	(2)	-	1,598	-
6000 Total operating expenses	<u>181,359</u>	<u>4</u>	<u>173,082</u>	<u>7</u>
6900 Operating income	<u>326,229</u>	<u>7</u>	<u>71,734</u>	<u>4</u>
Non-operating income and expenses (note (6)(e)(m)(o)(p)(w), (7) and (13)):				
7010 Other income	5,619	-	996	-
7020 Other gains and losses, net	(14,326)	-	(18,787)	(1)
7100 Interest income	1,369	-	2,162	-
7050 Finance costs, net	(39,401)	(1)	(42,027)	(2)
7070 Share of profit of subsidiaries accounted for using equity method	83,632	2	173,177	8
7000 Total non-operating income and expenses	<u>36,893</u>	<u>1</u>	<u>115,521</u>	<u>5</u>
7900 Profit from continuing operations before tax	<u>363,122</u>	<u>8</u>	<u>187,255</u>	<u>9</u>
7950 Less: Income tax expenses (note (6)(r))	<u>58,339</u>	<u>2</u>	<u>14,983</u>	<u>1</u>
Profit	<u>304,783</u>	<u>6</u>	<u>172,272</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss (note (6)(q))				
8311 Gains on remeasurements of defined benefit plans	(1,193)	-	(620)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Total items that may not be reclassified subsequently to profit or loss	<u>(1,193)</u>	<u>-</u>	<u>(620)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss (note (6)(r)(s))				
8361 Exchange differences on translation of foreign operation	(178,859)	(4)	(125,846)	(6)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(35,772)	(1)	(25,169)	(1)
Total items that may be reclassified subsequently to profit or loss	<u>(143,087)</u>	<u>(3)</u>	<u>(100,677)</u>	<u>(5)</u>
8300 Other comprehensive income (loss)	<u>(144,280)</u>	<u>(3)</u>	<u>(101,297)</u>	<u>(5)</u>
8500 Total comprehensive income	<u>\$ 160,503</u>	<u>3</u>	<u>70,975</u>	<u>3</u>
Earnings per share (in NT dollars) (note (6)(t))				
9750 Basic earnings per share	<u>\$ 2.40</u>		<u>1.38</u>	
9850 Diluted earnings per share	<u>\$ 2.21</u>		<u>1.35</u>	

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total other equity		
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Retained earnings			Unappropriated retained earnings	Total retained earnings	(Interest) Exchange differences on translation of foreign financial statements	Total equity
				Capital surplus	Legal reserve	Special reserve				
Balance at January 1, 2019	\$ 1,245,545	-	1,245,545	677,621	140,470	170,064	418,127	728,661	(95,454)	2,556,373
Profit	-	-	-	-	-	-	172,272	172,272	-	172,272
Other comprehensive income	-	-	-	-	-	-	(620)	(620)	(100,677)	(101,297)
Total comprehensive income	-	-	-	-	-	-	171,652	171,652	(100,677)	70,975
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	35,324	-	(35,324)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	(249,109)	(249,109)	-	(249,109)
Balance at December 31, 2019	1,245,545	-	1,245,545	677,621	175,794	170,064	305,346	651,204	(196,131)	2,378,239
Profit (loss)	-	-	-	-	-	-	304,783	304,783	-	304,783
Other comprehensive income	-	-	-	-	-	-	(1,193)	(1,193)	(143,087)	(144,280)
Total comprehensive income	-	-	-	-	-	-	303,590	303,590	(143,087)	160,503
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	17,165	-	(17,165)	-	-	-
Special reserve appropriated	-	-	-	-	-	26,067	(26,067)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(105,870)	(105,870)	-	(105,870)
Due to recognition of equity component of convertible bonds issued	-	-	-	21,093	-	-	-	-	-	21,093
Conversion of convertible bonds	-	69,491	69,491	101,495	-	-	-	-	-	170,986
Conversion of certificates of bonds conversion entitlement	64,921	(64,921)	-	-	-	-	-	-	-	-
Balance at December 31, 2020	\$ 1,310,466	4,570	1,315,036	800,209	192,959	196,131	459,834	848,924	(339,218)	2,624,951

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 363,122	187,255
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	23,298	17,106
Amortization expense	3,021	2,469
Expected credit (profit) loss	(2)	1,598
Interest expense	39,401	42,027
Interest income	(1,369)	(2,162)
Share of profit of subsidiaries accounted for using equity method	(83,632)	(173,177)
Loss from disposal of property, plan and equipment	35	-
Realized (unrealized) loss from sales	84	357
Unrealized foreign exchange loss	999	17,758
Gain on repurchase of convertible bonds	(8,018)	-
Total adjustments to reconcile profit	<u>(26,183)</u>	<u>(94,024)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	806	3,383
Accounts receivable	(652,096)	(452,780)
Accounts receivable from related parties	(173,982)	(159,517)
Other receivables	(2,484)	(4,894)
Other receivable from related parties	15,539	(24,700)
Inventories	(79,232)	(82,179)
Other current assets	(3,979)	(11,374)
Total changes in operating assets	<u>(895,428)</u>	<u>(732,061)</u>
Changes in operating liabilities:		
Accounts payable	52,817	72,013
Accounts payable to related parties	99,938	272,129
Other payables	27,024	(8,547)
Other payable to related parties	1,612	20,992
Other current liabilities and contract liabilities	10,283	9,802
Other non-current liabilities	3,524	-
Total changes in operating liabilities	<u>195,198</u>	<u>366,389</u>
Total changes in operating assets and liabilities	<u>(700,230)</u>	<u>(365,672)</u>
Total adjustments	<u>(726,413)</u>	<u>(459,696)</u>
Cash outflow generated from operations	(363,291)	(272,441)
Interest received	1,369	2,168
Interest paid	(30,258)	(27,682)
Income taxes paid	(15,807)	(9,421)
Net cash flows used in operating activities	<u>(407,987)</u>	<u>(307,376)</u>

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(5,989)	(9,863)
Acquisition of property, plant and equipment	(7,494)	(142,065)
(Increase) decrease in other receivables from related parties	(21,715)	48,352
Acquisition of intangible assets	(1,988)	(1,146)
(Increase) decrease in other non-current assets	(1,946)	(6,695)
Increase in prepayments for business facilities	(9,635)	(20,940)
(Increase) decrease in prepayments for land purchases	<u>88,381</u>	<u>(71,128)</u>
Net cash flows from (used in) investing activities	39,614	(203,485)
Cash flows from (used in) financing activities:		
Increase in short-term loans	2,042,021	1,821,850
Decrease in short-term loans	(1,784,930)	(1,678,920)
Decrease in short-term notes and bills payable	(99,937)	(19,942)
Proceeds from issuing bonds	401,501	-
Repurchase of convertible bonds	(331,676)	-
Repayments of bonds	(434,100)	-
Proceeds from long-term debt	1,274,186	1,361,000
Repayments of long-term debt	(1,403,294)	(963,889)
Increase in other payables to related parties	709,965	302,875
Payment of lease liabilities	(8,551)	(4,147)
Cash dividends paid	<u>(105,870)</u>	<u>(249,109)</u>
Net cash flows from financing activities	259,315	569,718
Effect of exchange rate changes on cash and cash equivalents	1,817	(2,197)
Net increase (decrease) in cash and cash equivalents	(107,241)	56,660
Cash and cash equivalents at beginning of period	<u>262,903</u>	<u>206,243</u>
Cash and cash equivalents at end of period	\$ 155,662	262,903

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2020 and 2019

**(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share Information
and Unless Otherwise Specified)**

(1) Company history

YFC-BONEAGLE ELECTRIC CO., LTD. (the “Company”) was incorporated on September 3, 1983 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No.12-9, Ln. 130, Sec. 2, Zhongshan E. Rd., Xinwu Dist., Taoyuan City 327, Taiwan (R.O.C.). The Company primarily engaged in the developing, manufacturing, and selling of power cord sets, LAN cables, patch cords, and related networking accessories, as well as the sales of consumer electronics.

Since January 9, 2003, the Company’s ordinary shares have been listed on the Taiwan Over-The-Counter Securities Exchange (Gre Tai Securities Market).

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements for the years ended December 31, 2020 and 2019 were authorized for issue by the board of directors on March 29, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated in note (3), the following accounting policies were applied consistently throughout the presented periods in the parent-company-only financial statements.

(a) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of defined benefit obligations, limited as explained in note (4)(p)

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan Dollars, the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprise cash on hand, check deposits, and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the criteria above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(f) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investments.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes and trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due its credit obligations to the Company in full.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default or being more than 360 days past due;
- the Company, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the Company would not otherwise consider;
- it is probable that the customer will enter bankruptcy or other financial reorganization;
- or

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost, that are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. In the case of merchandises, cost refers to the acquired amount.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. For merchandises, net realizable value refers to estimated selling price in the ordinary course of business.

(h) Investment subsidiary

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statements are equal to those in the consolidated financial statements.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to determine whether the accounting policies are in compliance with those of the Company's from the date that control commences until the date that significant influence commences.

Unrealized profits resulting from the transactions between the Company and a subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Unrealized losses on transactions with subsidiaries are eliminated in the same way, except to the extent that the underlying asset is impaired.

Dividend from subsidiaries is recognized in investment accounted for using equity method on the date on which the Company's right to receive payment is established, which means the recovery of the dividend is probable, and the amount can be estimated reliably.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings 5~50 years

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

- 2) Machinery and equipment 3~20 years
- 3) Office and other equipment 5~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases of its vehicles that have a lease term of 12 months or less, as well as leases of low-value assets of its office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Other intangible assets, including customer relationships, patents and computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for current and comparative periods are as follows:

- 1) Patents: 3 years
- 2) Computer software: 1~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

For non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or order agreement, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

No element of financing is deemed present as the sales of the Company's products are made with a credit term of 30 to 120 days, which is consistent with the market practice.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Government grants

The Company recognizes an unconditional government grant related to a low-interest loan from government in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Company discloses the Company basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholder of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjusting for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise convertible bonds and employee compensation not yet resolved by the shareholders.

(s) Operating segments

Please refer to the consolidated financial statements of the Group for the years ended December 31, 2020 and 2019.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows: None.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 140	143
Check deposits	768	885
Demand deposits	<u>154,754</u>	<u>261,875</u>
Cash and cash equivalents in statement of cash flows	<u><u>\$ 155,662</u></u>	<u><u>262,903</u></u>

For the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities, please refer to note (6)(x).

(b) Notes and accounts receivables

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	\$ 3,462	4,268
Less: Loss allowance	<u>-</u>	<u>-</u>
Net	<u>3,462</u>	<u>4,268</u>
Accounts receivables	1,300,541	675,405
Less: Loss allowance	<u>(1,732)</u>	<u>(1,734)</u>
Net	<u>1,298,809</u>	<u>673,671</u>
Accounts receivables from related parties	501,053	337,731
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net	<u>501,053</u>	<u>337,731</u>
Total	<u>\$ 1,803,324</u>	<u>1,015,670</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,276,548	0%	-
Past due 1 to 30 days	21,642	0%	-
Past due 31 to 120 days	2,201	0%	-
Past due 121 to 180 days	-	0%	-
Past due 181 to 360 days	1,880	0%	-
Past due more than 360 days	<u>1,732</u>	100%	<u>1,732</u>
Total	<u>\$ 1,304,003</u>		<u>1,732</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 656,021	0%	-
Past due 1 to 30 days	15,462	0%	-
Past due 31 to 120 days	6,456	0%	-
Past due 121 to 180 days	-	0%	-
Past due 181 to 360 days	-	0%	-
Past due more than 360 days	<u>1,734</u>	100%	<u>1,734</u>
Total	<u>\$ 679,673</u>		<u>1,734</u>

As of December 31, 2020 and 2019, the Company's accounts receivable from related parties amounted to \$501,053 and \$337,731, respectively. The receivables, which have no credit risk, were sales from subsidiaries; therefore, no provisions were required.

The movement in the allowance for notes and accounts receivable was as follows:

	2020	2019
Balance at January 1, 2020 and 2019	\$ 1,734	136
Expect credit (gain) loss	<u>(2)</u>	1,598
Balance at December 31, 2020 and 2019	<u>1,732</u>	<u>1,734</u>

As of December 31, 2020 and 2019, the notes and accounts receivable of the Company were not pledged as collateral.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(c) Other receivables

	December 31, 2020	December 31, 2019
Value-added tax returned by export trade	\$ 7,378	4,894
Other	3	3
Less: Loss allowance	-	-
Net	<u>7,381</u>	<u>4,897</u>
Other receivables from related parties	123,345	116,881
Less: Loss allowance	-	-
Net	<u>123,345</u>	<u>116,881</u>
Total	<u>\$ 130,726</u>	<u>121,778</u>

As of December 31, 2020 and 2019, the loss allowance for other receivables were measured at an amount equal to life time expected credit loss; hence, no provisions were required.

(d) Inventory

	December 31, 2020	December 31, 2019
Merchandise inventory	\$ 18,407	18,275
Finished goods	30,318	21,980
Work in progress	121,391	66,053
Raw materials	41,806	27,398
Supplies	3,305	2,289
Total	<u>\$ 215,227</u>	<u>135,995</u>

For the years ended December 31, 2020 and 2019, the Company did not recognize any inventory valuation and obsolescence loss or gain because of no adjustments were made to net realizable value.

As of December 31, 2020 and 2019, the inventory of the Company were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date was as follows:

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

	December 31, 2020	December 31, 2019
Subsidiaries:		
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	\$ 3,188,758	3,323,513
BESTLINK NETWARE INC.	19,447	7,239
UNC INVESTMENT & DEVELOPMENT INC.	42,905	31,046
PREMIUM-LINE KSI GMBH (KSI)	(44,043)	(31,344)
MONOPRICE HOLDINGS, INC.	1,200,451	1,168,169
PREMIUM-LINE SYSTEMS GMBH	-	334
YUE FONG COMPANY LIMITED	2,114	-
Subtotal	4,409,632	4,498,957
Add: Credit balance of investments accounted for using equity method	44,043	31,344
Total	<u><u>\$ 4,453,675</u></u>	<u><u>4,530,301</u></u>

(i) Subsidiaries

In order to expand to its Southeast Asia's market, the Company remitted the amount of \$5,989 in February 2020 for the investment and establishment of its new subsidiary in Vietnam, YUE FONG COMPANY LIMITED. Please refer to the consolidated financial Statements for the year ended December 31, 2020.

In order to react to the U.S.-China trade war and meet the actual management needs, the Company remitted the amount of \$9,863 in October 2019 for the investment and establishment of its new subsidiaries in the Philippines, YFC DEVELOPMENT CORPORATION and YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION.

(ii) Collateral

As of December 31, 2020 and 2019, the investments accounted for using equity method of the Company were not pledged as collateral.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(f) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Costs or deemed cost:					
Balance at January 1, 2020	\$ 215,058	120,848	298,945	14,012	648,863
Additions	-	408	23,115	804	24,327
Reclassification	-	-	-	6,031	6,031
Disposals	-	-	(2,222)	(2,175)	(4,397)
Balance at December 31, 2020	\$ 215,058	121,256	319,838	18,672	674,824
Balance at January 1, 2019	\$ 81,608	119,483	291,349	13,734	506,174
Additions	133,450	1,365	7,596	278	142,689
Balance at December 31, 2019	\$ 215,058	120,848	298,945	14,012	648,863
Depreciation and impairment loss:					
Balance at January 1, 2020	\$ -	67,703	272,545	12,019	352,267
Depreciation for the period	-	3,106	9,167	2,717	14,990
Reclassification	-	-	-	199	199
Disposals	-	-	(2,186)	(2,176)	(4,362)
Balance at December 31, 2020	\$ -	70,809	279,526	12,759	363,094
Balance at January 1, 2019	\$ -	64,658	264,062	11,567	340,287
Depreciation for the period	-	3,045	8,483	452	11,980
Balance at December 31, 2019	\$ -	67,703	272,545	12,019	352,267
Carrying value:					
Balance at December 31, 2020	\$ 215,058	50,447	40,312	5,913	311,730
Balance at December 31, 2019	\$ 215,058	53,145	26,400	1,993	296,596
Balance at January 1, 2019	\$ 81,608	54,825	27,287	2,167	165,887

In order to meet customer's demand and to seek the most effective solution in dealing with the current trading situation between China and the United States, the Board of Directors approved a resolution in March 2019 to purchase a piece of land in Dayuan District, Taoyuan City, with the amount of \$132,191 based on the agreement, wherein the full payment had been made in May 2019.

The Company's depreciation is calculated by the straight-line basis over the estimated useful lives, please refer to note (4)(i). Information on depreciation for the period is disclosed in note (12).

As of December 31, 2020 and 2019, for information on the Company's property, plant, and equipment pledged as collateral, please refer to note (8).

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(g) Right-of-use assets

The Company leases many assets including land, buildings, and vehicles. Information about leases for which the Company as a lessee is presented below:

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, 2020	\$ 23,740	2,450	26,190
Additions	-	-	-
Write-off	-	(1,099)	(1,099)
Balance at December 31, 2020	<u>\$ 23,740</u>	<u>1,351</u>	<u>25,091</u>
Balance at January 1, 2019	-	3,683	3,683
Additions	23,740	-	23,740
Write-off	-	(1,233)	(1,233)
Balance at December 31, 2019	<u>23,740</u>	<u>2,450</u>	<u>26,190</u>
Accumulated depreciation:			
Balance at January 1, 2020	\$ 3,779	1,347	5,126
Depreciation for the period	7,510	798	8,308
Write-off	-	(1,099)	(1,099)
Balance at December 31, 2020	<u>\$ 11,289</u>	<u>1,046</u>	<u>12,335</u>
Balance at January 1, 2019	-	-	-
Depreciation for the period	3,779	1,347	5,126
Balance at December 31, 2019	<u>3,779</u>	<u>1,347</u>	<u>5,126</u>
Carrying value:			
Balance at December 31, 2020	<u>\$ 12,451</u>	<u>305</u>	<u>12,756</u>
Balance at December 31, 2019	<u>\$ 19,961</u>	<u>1,103</u>	<u>21,064</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>3,683</u>	<u>3,683</u>

The Company leases factories for added production line at Yangmei District, Taoyuan City, and the Company acquired its right-of-use assets at a total cost of \$23,740 for the years ended December 31, 2019.

The Company did not provide any of the afore mentioned assets as collaterals for its loans. Information on depreciation for the period is disclosed in note(12).

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(h) Intangible assets

The costs and amortization of intangible assets of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Patent	Computer software	Total
Costs or deemed cost:			
Balance at January 1, 2020	\$ 2,565	22,855	25,420
External acquisition	-	1,988	1,988
Balance at December 31, 2020	<u><u>\$ 2,565</u></u>	<u><u>24,843</u></u>	<u><u>27,408</u></u>
Balance at January 1, 2019	\$ 2,565	21,709	24,274
External acquisition	-	1,146	1,146
Balance at December 31, 2019	<u><u>\$ 2,565</u></u>	<u><u>22,855</u></u>	<u><u>25,420</u></u>
Amortization:			
Balance at January 1, 2020	\$ 2,565	20,261	22,826
Amortization for the period	-	3,021	3,021
Balance at December 31, 2020	<u><u>\$ 2,565</u></u>	<u><u>23,282</u></u>	<u><u>25,847</u></u>
Balance at January 1, 2019	\$ 2,565	17,792	20,357
Amortization for the period	-	2,469	2,469
Balance at December 31, 2019	<u><u>\$ 2,565</u></u>	<u><u>20,261</u></u>	<u><u>22,826</u></u>
Carrying value:			
Balance at December 31, 2020	<u><u>\$ -</u></u>	<u><u>1,561</u></u>	<u><u>1,561</u></u>
Balance at December 31, 2019	<u><u>\$ -</u></u>	<u><u>2,594</u></u>	<u><u>2,594</u></u>
Balance at January 1, 2019	<u><u>\$ -</u></u>	<u><u>3,917</u></u>	<u><u>3,917</u></u>

The following are the amortizations of intangible assets were included in the statement of comprehensive income. Please refer to note (12) for related information on amortization fee for the period:

	2020	2019
Operating cost – amortization	\$ 1,697	613
Operating expenses – amortization	1,324	1,856
Total	<u><u>\$ 3,021</u></u>	<u><u>2,469</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(i) Other current asset and other non-current assets

	December 31, 2020	December 31, 2019
Other current assets:		
Prepayments	\$ 24,722	20,780
Temporary payments	110	73
Subtotal	<u>24,832</u>	<u>20,853</u>
Other non-current assets:		
Guarantee deposits paid	3,941	2,951
Net defined benefit assets	204	1,324
Prepaid for land purchases	-	88,381
Other	<u>1,754</u>	<u>6,703</u>
Subtotal	<u>5,899</u>	<u>99,359</u>
Total	<u><u>\$ 30,731</u></u>	<u><u>120,212</u></u>

(i) Prepayments

Prepayments are prepaid raw materials and rentals for the space used in the exhibition.

(ii) Guarantee deposits paid

Guarantee deposits paid are security deposits on leases and car rentals and customs security deposits, please refer to note (8).

(iii) Prepaid for land purchases

In order to meet customer's demand and to seek the most effective solution in dealing with the current trading situation between China and the United States, the Board of Directors approved a resolution in November 2018 to set up a new factory in Philippines; hence, purchased a piece of land from a third party, with an area of 36,271 square meters, amounting to \$88,381 (PHP \$148,711 thousand). Based on the agreement, the Company has paid a reservation fee amounting to \$17,253 (PHP\$29,742 thousand) in December 2018, and completed the registration procedure of its new subsidiary, YFC DEVELOPMENT CORPORATION, as well as paid the remaining purchase amount of \$71,128 (PHP\$118,969 thousand) in October 2019 to acquire the new piece of land mentioned above. The registration of transfer of ownership on the piece of land to YFC DEVELOPMENT CORPORATION was completed in September 2020. YFC DEVELOPMENT CORPORATION also put it into account and paid the prepayment of land purchase, which had been prepaid by the Company in September 2020.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(j) Short-term borrowings

The details of the Company's short-term borrowings were as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u>\$ 1,699,603</u>	<u>1,442,930</u>
Unused short-term and long-term credit lines	<u>\$ 650,004</u>	<u>1,063,950</u>
Interest rates	<u>0.72~1.25%</u>	<u>0.92~1.20%</u>

The Company did not provide any assets as collateral for short-term borrowings.

(k) Short-term notes and bills payable

The details of short-term notes and bills payable of the Company were as follows:

	December 31, 2020		
	Institution	Interest rate	Amount
Commercial paper payable	Mega Bills Finance and Taiwan Finance	1.14%~1.16%	\$ 130,000
Less: Discount on short-term notes and bills payable			(114)
Total			<u>\$ 129,886</u>

	December 31, 2019		
	Institution	Interest rate	Amount
Commercial paper payable	China Bills Finance, Mega Bills Finance and International Bills Finance	1.14%~1.17%	\$ 230,000
Less: Discount on short-term notes and bills payable			(177)
Total			<u>\$ 229,823</u>

The Company did not provide any assets as collateral for short-term notes payable.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(I) Long-term borrowings

The details of the Company's long-term borrowings were as follows:

	December 31, 2020			
	Currency	Interest rates	Expiration	Amount
Unsecured bank loans	NTD	1.25%~1.55%	110~115	\$ 556,853
Secured bank loans	NTD	1.18%~1.42%	117~129	<u>160,524</u>
Total				717,377
Less: Current portion				<u>(128,464)</u>
Non-current portion				<u><u>\$ 588,913</u></u>

	December 31, 2019			
	Currency	Interest rates	Expiration	Amount
Unsecured bank loans	NTD	1.17%~1.84%	109~115	\$ 784,333
Secured bank loans	NTD	1.70%	117	<u>62,152</u>
Total				846,485
Less: Current portion				<u>(222,872)</u>
Non-current portion				<u><u>\$ 623,613</u></u>

(i) Collateral for long-term borrowings

For information on assets pledged as collateral for long-term borrowings, please refer to note (8).

(ii) Low-interest loan from government

According to "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses", the Company has been awarded a low-interest loan from Bank of Taiwan at the beginning of 2020 with the maximum credit amounting to \$484,000, including the amounts of \$284,000 and \$200,000 for the purpose of its business operation, as well as acquisition of its machinery and equipment, respectively. The project will continue for 7 years with an actual preferential interest rate of 0.1%. For the nine months ended December 31, 2020, the actual used credit facilities amounted to \$84,840, while the fair value imputed by the market interest rate of 1.4% amounted to \$79,400, with the difference of \$5,440, deemed as government grant and recognized in deferred income. Please refer to note (6)(p).

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(m) Bonds payable

(i) The details on the Company's bonds payable were as follows:

	December 31, 2020	December 31, 2019
Convertible bonds issued	\$ 400,000	704,200
Less: Unamortized discount on convertible bonds	(5,030)	(10,878)
Accumulated converted and redeemed amount	<u>(256,600)</u>	-
	138,370	693,322
Less: Current portion	<u>-</u>	<u>(693,322)</u>
Non-current portion	<u>\$ 138,370</u>	<u>-</u>
Equity component – conversion options (included in “Capital surplus – stock options”)	<u>\$ 7,561</u>	<u>41,035</u>
Interest expense (effective rate of 1.67%~2.06%)	<u><u>\$ 9,421</u></u>	<u><u>14,097</u></u>

(ii) The major terms of bonds payable were as follows:

Period	Type	Issuance Period	Total Amount (in thousands dollars)	Coupon Rate	Effective Rate	Conversion Price (in dollar)
Period 8	Unsecured convertible bonds payable	2017.06~2020.06	700,000	0 %	2.06 %	55.50
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0 %	1.67 %	25.60

In June 2017, the Company issued the 8th unsecured convertible bonds for a total of 7,000 bonds, with a face value of \$100 each. The bonds were issued at a premium rate of 100.6% and the total issuance amounted to \$704,200. The Company recorded the capital surplus of stock options amounting to \$41,035.

In February 2020, the Company issued the 9th unsecured convertible bonds for a total of 4,000 bonds, with a face value of \$100 each. The bonds were issued at a premium rate of 101%; and the total issuance after deducting the dealer's handling fee amounted to \$401,501, resulting in the Company to recognize the capital surplus of stock options, amounting to \$21,093.

Except for the following periods, the bondholders may opt to convert their bonds into common shares within the period between three months after issuance and the maturity date:

- 1) the mandated book closure date of common shares;
- 2) the book closure date for stock grants or cash dividends;
- 3) the period starting from 15 business days prior to the book closure date of stock options until the distribution record date;

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

4) the period from capital reduction record date to one day prior to the stock renewal date.

The conversion price of the 8th unsecured convertible bonds at the issuance date was \$66 per share. In the event of any ex-rights or ex-dividend, the conversion price shall be adjusted using the conversion pricing formula. From July 22, 2017 to July 23, 2018, the adjusted conversion price was \$63.6 per share, resulting from the events of ex-rights or ex-dividend. As of the period between July 24, 2018 and August 18, 2019, the adjusted conversion price was \$59.5 per share, resulting from the events of ex-rights or ex-dividend. Beginning August 19, 2019, the adjusted conversion price had decreased to \$55.5 per share, resulting from the events of ex-rights or ex-dividend.

The conversion price of the 9th unsecured convertible bonds at the issuance date was \$26.8 per share. In the event of any ex-rights or ex-dividend, the conversion price shall be adjusted using the conversion pricing formula. Beginning August 25, 2020, the adjusted conversion price had decreased to \$25.6 per share due to the events of ex-rights.

Corporate bonds will be paid back at face value upon maturity, except for bonds that have been converted into common shares or bonds redeemed by the Company.

(iii) Inssurance of bonds

As mentioned above, there were bonds issued for the year ended December 31, 2020.

There were no issuance bond payables for the year ended December 31, 2019.

(iv) Conversion of bonds

In September 2020, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 1,662 bonds, with the carrying amount of \$159,701, resulting in the capital surplus to increase by \$94,780, and the ordinary shares to be converted at the amount of \$64,921.

From November to December 2020, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 117 bonds, with the carrying amount of \$11,285, resulting in the capital surplus to increase by \$6,715, and the ordinary shares to be converted at the amount of \$4,570. Please refer to note (6)(s) for details.

There was no conversion of bond payable for the year ended December 31, 2019.

(v) Repurchase of bonds

During the year ended December 31, 2020, the Company bought back 2,659 and 787 shares of the 8th and the 9th convertible bonds at the amounts of \$265,526 thousand and \$66,150 thousand and the carrying values of \$264,815 and \$74,879, respectively, resulting in net gain of \$8,018 thousand, which was recognized as other gains and losses; please refer to note (6)(w). The capital surplus of stock options, which was initially recognized when issued, was transferred to capital surplus of treasury stock transaction, per related regulations, amounting to \$19,741, please refer to note (6)(s).

There was no repurchase of bond payable for the year ended December 31, 2019.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(vi) Redeem of due bonds

The Company's eighth domestic unsecured convertible bonds had matured on June 19, 2020, with maturity repayment amounting to \$434,100 thousand. On July 6, 2020, the Company repaid its creditors due to the maturity of their bonds and termination of its trading on the Taiwan Over-The-Counter Securities Exchange.

(vii) Collateral

There were no bonds payable pledged as collateral by the Company for the years ended December 31, 2020 and 2019.

(n) Other payables

	December 31, 2020	December 31, 2019
Salaries and bonuses payable	\$ 17,202	13,767
Compensation and bonus due to employees	24,208	12,484
Compensation due to directors	16,139	8,323
Other accrued expenses	21,512	17,741
Total	\$ 79,061	52,315

Other payables are expected to be settled within one year.

(o) Lease liabilities

The carrying values of the Company's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ 8,201	83,970
Non-current	\$ 5,291	448,409

For the maturity analysis, please refer to note (6)(x).

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ 219	167
Variable lease payments not included in the measurement of lease liabilities	\$ -	-
Expenses relating to short-term leases	\$ 287	198
Expenses relating to leases of low-value assets (excluding low-value assets of short-term leases)	\$ -	-

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The amounts recognized in the statement of cash flows for the Company was as follows:

	2020	2019
Total cash outflow for leases	<u><u>\$ 9,057</u></u>	<u><u>4,512</u></u>

(i) Real estate leases

The Company leases buildings for the use of its factories. The leases of the buildings run for a period of 3 years. The leases contain extension and cancellation options exercisable by the Company before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company and not by the lessors.

(ii) Other leases

The Company leases certain vehicles and office equipment which are short-terms item, the Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(p) Deferred income

	December 31, 2020	December 31, 2019
Deferred income—Government grants	<u><u>\$ 4,654</u></u>	<u><u>-</u></u>
Current (recognized under other current liabilities)	<u><u>\$ 1,130</u></u>	<u><u>-</u></u>
Non-current (recognized under other non-current liabilities)	<u><u>3,524</u></u>	<u><u>-</u></u>
Total	<u><u>\$ 4,654</u></u>	<u><u>-</u></u>

According to the “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses”, the low interest loan offered by Bank of Taiwan to the Company can be availed for the purpose of business operation and acquisition of machinery and equipment in early 2020.

The Company received the government low-interest loan for its business operation, resulting in the difference between the market interest imputed using the effective interest method and the actual preferential interest to be reclassified from deferred income to other income over time.

The Company received the government low-interest loan for the acquisition of its machinery and equipment, resulting in the difference between the market interest imputed using the effective interest method and the actual preferential interest to be reclassified from deferred income to other income based on the useful life of the assets. Furthermore, the Company will have to comply with all the conditions associated with grant.

For the year ended December 31, 2020, the other income reclassified from deferred income amounted to \$786, please refer to note(6)(w).

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of the Company's defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 17,787	15,832
Fair value of plan assets	<u>(17,991)</u>	<u>(17,156)</u>
Net defined benefit assets	<u><u>\$ (204)</u></u>	<u><u>(1,324)</u></u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

As of December 31, 2020 and 2019, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$17,991 and \$17,156, respectively. For information on the utilization of the labor pension fund assets, including the yield of the fund and asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2020	2019
Defined benefit obligation at January 1	\$ 15,832	14,411
Current service costs and interest	199	212
Remeasurement in net defined benefit liability		
– Experience adjustments to actuarial losses (gains)	949	737
– Actuarial loss from changes in financial assumption	<u>807</u>	<u>472</u>
Defined benefit obligation at December 31	<u><u>\$ 17,787</u></u>	<u><u>15,832</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2020	2019
Fair value of plan assets at January 1	\$ 17,156	16,339
Interest income	129	164
Remeasurement in net defined benefit liability		
– Expected return on plan assets (excluding interest income)	563	589
Contributions made	143	64
Fair value of plan assets at December 31	<u><u>\$ 17,991</u></u>	<u><u>17,156</u></u>

4) Movements in effect of limiting net defined benefit assets to asset ceiling

For the years 2020 and 2019, there were no change in effect of limiting net defined benefit assets to asset ceiling.

5) Pension recognized through profit or loss

The pension costs of the defined benefit plans recognized as expenses for the years 2020 and 2019 were as follows:

	2020	2019
Current service cost	\$ 81	69
Interest on net defined benefit obligation	(11)	(21)
Total (recognized under "Administrative expense – pension")	<u><u>\$ 70</u></u>	<u><u>48</u></u>

6) Remeasurements of net defined benefit obligation recognized under other comprehensive income

The cumulative remeasurement of net defined benefit obligations recognized under other comprehensive income were as follows:

	2020	2019
Cumulative amount at January 1	\$ 6,918	7,538
Obligations reversed	(1,193)	(620)
Cumulative amount at December 31	<u><u>\$ 5,725</u></u>	<u><u>6,918</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

7) Actuarial assumptions

The Company's principal actuarial assumptions were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.35 %	0.75 %
Future salary rate increases	2.00 %	2.00 %

As of December 31, 2020 and 2019, the amount of contributions expected to be made to the defined contribution plans within one year of the report date were \$338 and \$316, respectively.

The weighted average term of defined contribution plans were 11 and 12 years, respectively.

8) Sensitivity analysis

In the event of changes in actuarial assumptions, the impact on defined benefit obligations are as follows:

	Impact on defined benefit obligation	
	Increased	Decreased
December 31, 2020		
Discount rate (at a 0.25% change)	\$ 531	510
Future salary increase (at a 0.25% change)	521	503
December 31, 2019		
Discount rate (at 0.25% change)	491	471
Future salary increase (at 0.25% change)	483	466

The sensitivity analysis above is performed on the impact of changes in a single actuarial assumption, based on the condition that all other assumptions are held constant. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for the years 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The Company's pension expenses under the defined contribution method amounted to \$4,088 and \$3,133 for the years ended December 31, 2020 and 2019, respectively. Payments were made to the Bureau of Labor Insurance.

(r) Income tax

(i) Income tax expense

The components of income tax expense (income) for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Current tax expense		
Current period	\$ 55,669	16,414
Adjustments for prior periods	(778)	2,113
Subtotal	<u>54,891</u>	<u>18,527</u>
Deferred tax expense		
Origination and reversal of temporary differences	3,448	(3,544)
Subtotal	<u>3,448</u>	<u>(3,544)</u>
Income tax expense	<u><u>\$ 58,339</u></u>	<u><u>14,983</u></u>

The amounts of income tax expense (income) recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u><u>\$ (35,772)</u></u>	<u><u>(25,169)</u></u>

Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	2020	2019
Income before tax	<u><u>\$ 363,122</u></u>	<u><u>187,255</u></u>
Income tax expense at the statutory rate	72,624	37,451
Non-deductible expenses	1,909	2,817
Under (over) provision in prior periods	(778)	2,113
Surtax on unappropriated earnings	1,128	3,508
Changes in unrecognized temporary differences	(16,726)	(34,636)
Others	<u><u>182</u></u>	<u><u>3,730</u></u>
Income tax expense	<u><u>\$ 58,339</u></u>	<u><u>14,983</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, due to the need of increasing the funds for foreign operation, funds associated with investments in subsidiaries will not be transferred back in the foreseeable future. Thus, under IAS 12, the temporary difference associated with investments in subsidiaries was recognized as permanent difference. Details were as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	<u><u>\$ 392,907</u></u>	<u><u>376,181</u></u>

2) Recognized deferred tax assets and liabilities

Movements of deferred tax assets and liabilities for the years 2020 and 2019 were as follows:

a) Deferred tax assets

	Exchange difference on transaction of foreign financial statements	Doubtful debts	Other	Total
January 1, 2020	<u><u>\$ 47,825</u></u>	<u><u>719</u></u>	<u><u>3,735</u></u>	<u><u>52,279</u></u>
Recognized in profit or loss	-	-	(3,448)	(3,448)
Recognized in other comprehensive income	<u><u>35,772</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>35,772</u></u>
December 31, 2020	<u><u>\$ 83,597</u></u>	<u><u>719</u></u>	<u><u>287</u></u>	<u><u>84,603</u></u>
January 1, 2019	<u><u>\$ 22,656</u></u>	<u><u>719</u></u>	<u><u>191</u></u>	<u><u>23,566</u></u>
Recognized in profit or loss	-	-	3,544	3,544
Recognized in other comprehensive income	<u><u>25,169</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>25,169</u></u>
December 31, 2019	<u><u>\$ 47,825</u></u>	<u><u>719</u></u>	<u><u>3,735</u></u>	<u><u>52,279</u></u>

(iii) Examination and approval

The Company's income tax returns for all years through 2018, have been examined by the R.O.C. income tax authorities.

(s) Capital and other equities

As of December 31, 2020 and 2019, the Company's registered total authorized capital amounted to \$1,800,000 with par value of \$10 per share (in NT dollars), which includes employee share option of \$3,500 thousand shares. Total issued common stock as of December 31, 2020 and 2019 were \$131,046 thousand shares and \$124,554 thousand shares, respectively, and all issued shares were issued and outstanding.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(i) Issuance of common stock

A resolution was approved during the board meeting held on October 21, 2020 for the issuance of convertible bonds amounting to \$64,921, which was converted into 6,492 thousand shares of common stocks by the Company, with the record date set on October 21, 2020. The related registration procedures were completed in November 2020.

A resolution was approved during the board meeting held on January 15, 2021 for the issuance of convertible bonds amounting to \$4,570, which was converted into 457 thousand shares of common stocks by the Company, with the record date set on January 15, 2021. The related registration procedures were completed in February 2021.

Changes in the numbers of outstanding shares for the years ended December 31, 2020 and 2019, were as follows:

	Common Shares (in thousand shares)	
	2020	2019
Beginning balance at January 1	124,554	124,554
Conversion of convertible bonds	6,949	-
Ending balance at December 31	131,503	124,554

(ii) Capital surplus

The balances of additional paid-in capital were as follows:

	December 31, 2020	December 31, 2019
Premium issuance of common shares for cash	\$ 432,122	432,122
Premium issuance of convertible bond	309,766	198,890
Transaction of treasury stock	19,741	-
Difference between consideration and carrying amount of shares	334	334
Stock options of convertible bonds issued	7,561	41,035
Expired employee stock options	30,685	5,240
Total	\$ 800,209	677,621

Premium insurance of common shares for cash, premium insurance of convertible bond, transaction of treasury stock, and difference between the consideration and the carrying amount of shares, may be used to offset the Company's deficit. However, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the ordinary shares.

Stock options of convertible bonds issued may not be used for any purpose, and expired employee stock options may only be used to offset a deficit.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

In accordance with the Amended Companies Act, realized capital surplus can only be distributed as share capital or cash dividends (proportionate to the shareholders' respective interest) after offsetting against losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be distributed to capital shall not exceed 10% of the actual paid-in capital.

(iii) Retained earnings and dividend policy

Under the amended Company's Articles of Incorporation, upon closing of accounts, if there is profit, the Company shall first offset a deficit in the previous years and pay the income tax accordingly, then set aside a legal reserve of 10% of the profits left over as special reserve in accordance with the law, until the accumulated legal capital reserve equals paid-in capital. For any retained earnings left over, the board of directors shall propose distribution of unappropriated earnings to be approved in shareholders meeting, with the exception of distributable earnings that are lower than actual paid-in capital by 0.5%.

The payment of dividends could be done through transferring retained earnings to capital, transferring capital surplus to capital, or through cash dividend, depending on anticipated future development and growth, the Company's financial structure, and the rights and interests of shareholders. The distribution of dividends depends on the retained earnings of the year. In considering the maturing stage of the industry and the capital structure of the Company, dividends are mainly distributed through a combination of stock dividends and cash dividends wherein cash dividends may not be less than 10% of the sum of stock dividend and cash dividend. However, the actual methods and ratio of distribution may be adjusted through the shareholders meetings according to actual earnings and capital of the year.

1) Legal reserve

In accordance with the Company Act, 10% of the net income after tax should be set aside as legal reserve, until the legal reserve is equal to the authorized capital. If the Group experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting. The distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the Company is required to set aside additional special capital reserve equivalent to the net debit balances of the other components of stockholders' equity. Similarly, for any cumulative prior period net debit balances of other components of stockholders' equity, special reserve are set aside from prior year unappropriated earnings. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Pursuant to the ruling above, the Company sets aside additional special reserve from earnings of current period and any unappropriated prior year earnings equivalent to the difference between the debit balance of other components of stockholders' equity and the balance of special reserve. Similarly, for any cumulative prior period net debit balances of other components of stockholders' equity, special reserve are set aside from prior year unappropriated earnings. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed.

3) Earnings distribution

In the shareholder's meeting held on June 18, 2020, the resolution for the distribution of earnings from the year 2019 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$172,272 for the year 2019, plus, actuarial gain of \$(620) and the beginning balance of unappropriated earnings of \$133,694, less, the required legal reserve of \$17,165 and special reserve of \$26,067, which amounted to \$262,114. The cash dividends that were distributed to the shareholders in September, 2020 amounted to \$105,870, with a par value of \$0.85 per share.

In the shareholder's meeting held on June 18, 2019, the resolution for the distribution of earnings from the year 2018 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$353,241 for the year 2018, plus, actuarial gain of \$1,347 and the beginning balance of unappropriated earnings of \$63,539, less, the required legal reserve of \$35,324, which amounted to \$382,803. The cash dividends that were distributed to the shareholders in August, 2019 amounted to \$249,109, with a par value of \$2.00 per share.

The related information can be accessed from "Market Observation Post System".

(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2020	\$ (196,131)
Exchange differences on foreign operation	<u>(143,087)</u>
Balance at December 31, 2020	\$ <u>(339,218)</u>
Balance at January 1, 2019	\$ (95,454)
Exchange differences on foreign operation	<u>(100,677)</u>
Balance at December 31, 2019	\$ <u>(196,131)</u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(t) Earnings per share

The calculations of basic earnings per share and diluted earnings per share for the years 2020 and 2019 were as follow:

	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>304,783</u>	<u>172,272</u>
Weighted-average number of ordinary shares	<u>126,773</u>	<u>124,544</u>
Basic earnings per share (in dollars)	<u>\$ 2.40</u>	<u>1.38</u>
	2020	2019
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 304,783	172,272
Interest of convertible bond	<u>9,421</u>	<u>14,097</u>
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 314,204</u>	<u>186,369</u>
Weighted-average number of ordinary shares (in thousands of shares)	126,773	124,554
Effects of dilutive potential ordinary shares:		
Effects of employee stock bonus (in thousands of shares)	892	491
Effects of conversion of convertible bond (in thousands of shares)	<u>14,479</u>	<u>12,613</u>
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary)(in thousands of shares)	<u>142,144</u>	<u>137,658</u>
Diluted earnings per share(in dollars)	<u>\$ 2.21</u>	<u>1.35</u>

(u) Remuneration to employees and directors

In accordance with the articles of incorporation, earnings shall first be offset against any deficit, then, a minimum of 6% will be distributed as employee remuneration and a maximum of 6% will be allocated as directors' remuneration. Earnings refer to pre-tax net profit for the period before deducting remunerations.

Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the Company's affiliated companies which are at least 50% directly or indirectly owned by the Company.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2020, the Company accrued remuneration to employees of \$24,208 and remuneration to directors amounted to \$16,139. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

For the years ended December 31, 2019, the Company accrued remuneration to employees of \$12,484 and remuneration to directors amounted to \$8,323. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

The cash remunerations to employees and directors, for the year 2020 amounting to \$12,483 and \$8,322, respectively, were based on the resolution decided during the Board meeting held on May 8, 2020, and had already been reported in the shareholders' meeting on June 18, 2020.

The cash remunerations to employees, as well as directors and supervisors, for the year 2019 amounting to \$23,813 and \$15,800, respectively, were based on the resolution decided during the Board meeting held on March 28, 2019, and had already been reported in the shareholders' meeting on June 18, 2019.

As mentioned above, the differences between the actual amounts and the estimated amounts of the remuneration to employees, directors and supervisors for the years ended 2019 and 2018 had been adjusted accordingly.

For further information, please refer to "Market Observation Post System".

- (v) Revenue from contracts with customers
 - (i) Details of revenue

	2020	2019
Goods sold	<u><u>\$ 4,817,598</u></u>	<u><u>2,289,816</u></u>

The Company provides its customers discounts based on the contracts and order agreements amounting to \$83,400 and \$10,818 for the year ended December 31, 2020 and 2019, respectively.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(ii) Disaggregation of revenue

	2020	2019
Primary geographical markets		
United States	\$ 3,992,564	1,328,054
China	33,771	53,290
Philippines	38,691	56,040
Taiwan	264,617	245,113
Austria	69,772	59,370
United Kingdom	72,279	107,447
Canada	44,822	48,145
Others	<u>301,082</u>	<u>392,357</u>
Total	<u><u>\$ 4,817,598</u></u>	<u><u>2,289,816</u></u>
Main products/services lines		
CABLE	\$ 1,294,662	1,440,082
POWER CORD	3,110,854	706,380
CONNECTOR	100,707	97,179
Others	<u>311,375</u>	<u>46,175</u>
Total	<u><u>\$ 4,817,598</u></u>	<u><u>2,289,816</u></u>
Directly to customers	<u><u>\$ 4,817,598</u></u>	<u><u>2,289,816</u></u>

(iii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities—advance sales receipts	<u><u>\$ 40,979</u></u>	<u><u>32,056</u></u>	<u><u>20,877</u></u>

For details on notes and accounts receivable and allowance for impairment, please refer to note (6)(b).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$30,058 and \$18,747, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(w) Other non-operating income and expenses

(i) Interest income

The details of interest income of the Company for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Interest income from bank deposits	<u><u>\$ 1,369</u></u>	<u><u>2,162</u></u>

(ii) Other income

The details of other income of the Company for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Goverment grants	\$ 786	-
Other income	4,833	996
Total	<u><u>\$ 5,619</u></u>	<u><u>996</u></u>

(iii) Other gains and losses

The details of other gains and losses of the Company for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Loss on disposal of property, plant, and equipment	\$ (35)	-
Foreign exchange (loss) gain	(22,309)	(18,787)
Gain on repurchase of convertible bonds	8,018	-
Other gains and losses, net	<u><u>\$ (14,326)</u></u>	<u><u>(18,787)</u></u>

(iv) Financial costs

The details of financial costs of the Company for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Interest expense		
Bank loans	\$ 28,512	25,980
Interest on lease liabilities	219	167
Short-term notes and bills payable	1,249	1,783
Bonds payable	9,421	14,097
Total	<u><u>\$ 39,401</u></u>	<u><u>42,027</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Customers of the Company are mainly concentrated in internet cables and power code products. In order to lower the credit risk of accounts receivable, the Company continuously examines the financial situation of customers and periodically assess the recoverability of accounts receivable, recognizing allowances for bad debt when necessary. The losses on doubtful debts were within the expectations of management. As of December 31, 2020 and 2019, ten clients contributed to 91% and 77%, respectively, of the accounts receivable, hence, the Company has a significant concentration on credit risk.

(ii) Liquidity risk

The following are the dates of contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying value	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,699,603	1,702,807	1,702,807	-	-	-
Short-term notes and bills payable	129,886	130,000	130,000	-	-	-
Notes and accounts payable (includes related parties)	641,829	641,829	641,829	-	-	-
Other payables (includes related parties)	1,110,948	1,110,948	1,110,948	-	-	-
Bonds payable (including due within one year)	138,370	143,400	-	-	143,400	-
Lease liabilities - current and noncurrent	13,492	13,633	8,318	5,315	-	-
Long-term borrowings (including due within one year)	<u>717,377</u>	<u>742,561</u>	<u>304,562</u>	<u>136,079</u>	<u>165,933</u>	<u>135,987</u>
Total	\$ 4,451,505	<u>4,485,178</u>	<u>3,898,464</u>	<u>141,394</u>	<u>309,333</u>	<u>135,987</u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

	Carrying value	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,442,930	1,445,594	1,445,594	-	-	-
Short-term notes and bills payable	229,823	230,000	230,000	-	-	-
Notes and accounts payable (includes related parties)	523,174	523,174	523,174	-	-	-
Other payables (includes related parties)	372,625	372,625	372,625	-	-	-
Bonds payable (including due with one year)	693,322	700,000	700,000	-	-	-
Long-term borrowings (including due within one year)	22,043	22,402	8,769	8,318	5,315	-
Long-term borrowings (includes current portion)	846,485	857,169	509,401	171,189	141,823	34,756
Total	\$ 4,130,402	4,150,964	3,789,563	179,507	147,138	34,756

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

(iii) Market risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2020			December 31, 2019		
	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD
Financial assets:						
<u>Monetary items</u>						
USD	\$ 70,390	28.430	2,001,188	40,437	29.930	1,210,309
EUR	441	34.820	15,356	1,831	33.390	61,137
<u>Non-monetary items</u>						
USD	156,580	28.430	4,451,561	151,363	29.930	4,530,301
EUR	(1,265)	34.820	(44,043)	(939)	33.390	(31,344)
Financial liabilities:						
<u>Monetary items</u>						
USD	56,705	28.430	1,612,123	25,695	29.930	769,051

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gain and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, and loans and borrowings, which are denominated in foreign currency. The overall effects to the net profit before tax for the years ended December 31, 2020 and 2019, assuming the TWD appreciated by 1%, were decreases of \$4,044 and \$5,024, respectively. The analysis is performed on the same basis for the prior year.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange (loss) gains (including both realized and unrealized) amounted to \$(22,309) and \$(18,787), respectively.

(iv) Interest rate analysis

The exposure to interest rate risk for financial assets and liabilities were already discussed in the section on liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. For liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The liabilities with variable interest rates of the Company all have related contractual agreements, and the Company calculates interest based on the notice of interest payment provided by the bank. When reporting to management, the interest rate is expressed at a rate of change of 0.25% (increase and decrease). This rate also represents management's assessment on the reasonable interval of interest rate change.

If the interest rate had increased by 0.25% at the reporting date, all things held constant, the net profit before tax would have decreased by \$6,042 and \$5,724 for the years ended December 31, 2020 and 2019, respectively, which mainly results from bank loans with variable interest rates.

(v) Fair value of financial instruments

Types of financial instruments and fair value

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include the fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

(y) Financial risk management

(i) Overview

By using financial instruments, the Company is exposed to the following:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information on the exposure to risks, the Company's objectives, policies, and process for managing the aforementioned risks are listed below.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(ii) Risk management framework

The Board of directors is responsible for establishing and supervising the risk management framework of the Company. The Board authorizes each department to manage different controls, with the operations and finance department mainly in charge of managing risks with regards to sales and finances and controlling the overall risk management policy of the Company. The department periodically submits reports to the director and chief executive officer regarding the performance of the framework and reports to the board when necessary.

The risk management policies are built on identifying and analyzing risks that the Company faces. The Company determines and establishes certain risk limits and controls and monitors to see whether risk limits are being followed. Risk management policy and systems are periodically reviewed to reflect changes in market conditions and the consequent changes in the Company's operations. Through advocating and through the usage of management policies and operation procedures, the Company intends to develop a disciplined and constructive control environment with engaging employees who understand their own roles and responsibilities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company when its customer fails to meet its contractual obligations. The maximum exposure to credit risk is mainly from items below:

1) Accounts receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's credit limits are offered. The review of creditworthiness involves inspecting credit information provided by the customer and customers' prior years and current years payment records, or appointing institutions to perform credit checks. Credit limits are established for each customer and are reviewed periodically. The Company's receivables include various categories of customers, located in different geographical area. The Company manages its customers' credit risk exposure with based on their financial condition, and will purchase credit and guarantee insurance when necessary.

The Company set the loss allowance account to reflect the estimated losses for accounts receivable. The loss allowance account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The loss allowance account is based on historical collection record of similar financial assets.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

2) Investments

The credit risk exposure in bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Endorsements and guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to wholly-owned subsidiaries. For the endorsements provided to subsidiaries as of December 31, 2020, please refer to note (7)(c)(vi).

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to manage liquidity is to periodically examine whether current funds are sufficient to cover operations. In the case that funds are insufficient, the Company shall arrange for financings from banks in advance in order to have enough funds on hand to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing in the estimation of costs of its products and services in order to monitor the cash flow needs and ideal return on cash investments. In general, the Company ensures that there is sufficient funds to cover expected operating expenditures for 60 days, including fulfilments of financial obligation, but excluding the potential effects of extreme circumstances that cannot be reasonably expected, such as natural disasters. In addition, unused credit lines as of December 31, 2020 and 2019 were \$650,004 and \$1,063,950, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (TWD), the Euro, and US Dollars (USD). The currencies used in these transactions are denominated in TWD, USD, and CNY.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Interest on loans are calculated based on the principal. In general, the currency of loans are the same as the currency of the cash flow from operations, which are primarily in New Taiwan Dollars. Certain loans are denominated in US dollars, but because the Company did not use forward exchange contracts or other derivative instruments, hedge accounting is not applied.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Cash flow risk related to interest rate change

Short and long-term borrowings of the Company are considered as debts with variable rates. Thus, the interest rate change in the market will also affect the change in the weighted average interest rate of the short-term and long-term borrowings, as well as the future cash flow.

(z) Capital management

The policy of the Board is aimed towards managing capital to safeguard the capacity to continue to operate and to maximize the returns to shareholders through maintaining an optimal capital structure. Capital includes the share capital of the Company, capital surplus, and retained earnings. The Board controls return on capital while simultaneously overseeing the level of dividends on common stock.

For the years 2020 and 2019, rate of return on capital were 11.61% and 7.24%, respectively. The debt-to-equity ratio as of the reporting date were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 4,593,076	4,206,383
Less : cash and cash equivalents	<u>(155,662)</u>	<u>(262,903)</u>
Net liabilities	<u>\$ 4,437,414</u>	<u>3,943,480</u>
Total equity	\$ 2,624,951	2,378,239
Less : cumulative equity related to cash flow hedge	-	-
Adjust capital	<u>\$ 2,624,951</u>	<u>2,378,239</u>
Debt-to-equity ratio	<u>169.05 %</u>	<u>165.82 %</u>

In order to meet customer's demand and to seek the most effective solution in dealing with the current trading situation between China and the United States., the Company purchased a piece of land to set up a new office and factory in Philippines and Taiwan in 2020 and 2019. As a result, the Company's debt-to-equity ratio had also on the high side as of December 31, 2020. The Company will continue to focus on decreasing its debt-to-equity ratio with its future operating profit and cash inflow.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(aa) Investing and financing activities not affecting current cash flow

- (i) Please refer to note (6)(g) and (o) sets out information about the right-of-use asset had got from lease.
- (ii) Please refer to note (6)(m) and (s) for information on the conversion of convertible bonds to ordinary shares.
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash inflow	Cash Outflow	Foreign exchange movement	Non-cash changes		December 31, 2020
					Gain on repurchase of convertible bonds	Conversion of convertible bonds and others	
Short-term borrowings	\$ 1,442,930	2,042,021	(1,784,930)	(418)	-	-	1,699,603
Short-term notes and bills payable	229,823	-	(99,937)	-	-	-	129,886
Other payable (including related parties)	299,300	709,965	-	-	-	-	1,009,265
Bonds payable (includes current portion)	693,322	401,501	(765,776)	-	(8,018)	(182,659)	138,370
Lease liabilities	22,043	-	(8,551)	-	-	-	13,492
Long-term borrowings (includes current portion)	846,485	1,274,186	(1,403,294)	-	-	-	717,377
Total liabilities from financing activities	<u>\$ 3,533,903</u>	<u>4,427,673</u>	<u>(4,062,488)</u>	<u>(418)</u>	<u>(8,018)</u>	<u>(182,659)</u>	<u>3,707,993</u>
Non-cash changes							
	January 1, 2019	Cash inflow	Cash Outflow	Foreign exchange movement	Net increase (decrease) in Right-of- use assets		December 31, 2019
					Amortization of interest expense	-	
Short-term borrowings	\$ 1,300,000	1,821,850	(1,678,920)	-	-	-	1,442,930
Short-term notes and bills payable	249,765	-	(19,942)	-	-	-	229,823
Other payable (including related parties)	-	302,875	-	(3,575)	-	-	299,300
Bonds payable (includes current portion)	679,225	-	-	-	-	14,097	693,322
Lease liabilities	3,683	-	(4,147)	-	22,507	-	22,043
Long-term borrowings (includes current portion)	449,374	1,361,000	(963,889)	-	-	-	846,485
Total liabilities from financing activities	<u>\$ 2,682,047</u>	<u>3,485,725</u>	<u>(2,666,898)</u>	<u>(3,575)</u>	<u>22,507</u>	<u>14,097</u>	<u>3,533,903</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The following are entities that had transactions with the Group during the period covered in the parent company only financial statements:

Name of related party	Relationship with the Company
BESTLINK NETWARE INC.	Subsidiary of the Company
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	Subsidiary of the Company
UNC INVESTMENT & DEVELOPMENT INC.	Subsidiary of the Company
YUE FONG COMPANY LIMITED	Subsidiary of the Company

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Name of related party	Relationship with the Company
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Subsidiary of the Company
EUROPOWER INTERNATIONAL LIMITED	Subsidiary of the Company
UNIVERSAL NETWORK CORPORATION	Subsidiary of the Company
MAX SYNERGY LIMITED	Subsidiary of the Company
PREMIUM LINE ASIA LTD	Subsidiary of the Company
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Subsidiary of the Company
PRIME WIRE & CABLE, INC.	Subsidiary of the Company
CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD.	Subsidiary of the Company
WUXI UNIVERSAL NETWORK CORPORATION	Subsidiary of the Company
YFC INTERNATIONAL TRADING (WUXI) CO., LTD.	Subsidiary of the Company
PREMIUM-LINE KSI GMBH	Subsidiary of the Company
MONOPRICE HOLDINGS INC.	Subsidiary of the Company
PREMIUM-LINE SYSTEMS GMBH	Subsidiary of the Company
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	Subsidiary of the Company
MONOPRICE, INC.	Subsidiary of the Company
BESZIN CORPORATION INC.	Subsidiary of the Company
YFC DEVELOPMENT CORPORATION	Subsidiary of the Company
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Subsidiary of the Company
All directors, supervisors, directors, general managers, etc.	Key management personnel

(c) Significant related-party transaction

(i) Sales to related parties

Significant sales transactions between the Company and its related parties were as follows:

	2020	2019
MONOPRICE, INC.	\$ 327,182	213,868
PREMIUM LINE ASIA LTD	100,609	130,075
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	41,450	40,035
PRIME WIRE & CABLE, INC.	579,329	131,240
BESTLINK NETWARE INC.	187,887	92,875
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	12,365	4,291
WUXI UNIVERSAL NETWORK CORPORATION	3,356	2,053
Total	<u>\$ 1,252,178</u>	<u>614,437</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The prices of manufactured products sold to subsidiaries are the same as those of the general customers, with payment term of OA 60-120 days, depending on the customer's collection status.

As of December 31, 2020 and 2019, the Company incurred a decrease and an increase of \$84 and \$357, respectively, in unrealized net loss of sales from the subsidiaries in China.

Also, the increase of \$15,724 and \$4,404 in unrealized profit of sales were incurred from the subsidiaries in the US and in the Philippines. All the amounts mentioned above were recognized as shares of profit of subsidiaries accounted for using equity method.

(ii) Purchases from related parties

Significant purchases transactions between the Company and related parties were as follows:

	2020	2019
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	\$ 698,017	550,954
WUXI UNIVERSAL NETWORK CORPORATION	2,076,759	783,310
BESZIN CORPORATION INC.	-	509
Total	\$ 2,774,776	1,334,773

Purchase price from related parties was based on a percentage of gross profit, with the payment term of OA 90 days, depending on the customer's collection status.

The Company purchased finished goods from its related parties, including sales of raw materials amounting to \$9,942 and \$15,362 for the year ended December 31, 2020 and 2019, respectively. Also, the sales of raw materials were written off in preparing the financial statements.

(iii) Receivable from related parties

The receivables were as follows:

	December 31, 2020	December 31, 2019
MONOPRICE, INC.	\$ 174,215	90,497
PREMIUM LINE ASIA LTD	22,856	19,065
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	24,387	33,040
PRIME WIRE & CABLE, INC.	177,507	102,035
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	1,192	590
BESTLINK NETWARE INC.	97,536	89,632
WUXI UNIVERSAL NETWORK CORPORATION	1,817	2,872
PREMIUM-LINE KSI GMBH	1,543	-
Total	\$ 501,053	337,731

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The other receivables were as follows:

	December 31, 2020	December 31, 2019
PREMIUM LINE ASIA LTD	\$ 11,088	986
EUROPOWER INTERNATIONAL LIMITED	405	27,019
BESTLINK NETWARE INC.	973	-
Total	\$ 12,466	28,005

Other receivables were prepaid expenses made on behalf of the subsidiaries by the Company and collected sales on behalf of the Company by its subsidiaries.

(iv) Payable to related parties

The accounts payables were as follows:

	December 31, 2020	December 31, 2019
WUXI UNIVERSAL NETWORK CORPORATION	\$ 413,367	340,890
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	107,918	80,457
Total	\$ 521,285	421,347

The other payables were as follows:

	December 31, 2020	December 31, 2019
EUROPOWER INTERNATIONAL LIMITED	\$ 22,622	6,576
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	-	14,434
Total	\$ 22,622	21,010

Other payables were the advance payment of expenses, equipment purchase from the subsidiaries and collected sales on behalf of the subsidiaries by the Company.

(v) Loans

1) Loans provided by the Company to related parties were as follows:

	December 31, 2020	December 31, 2019
WUXI UNIVERSAL NETWORK CORPORATION	\$ 78,336	85,600
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	32,543	3,276
Total	\$ 110,879	88,876

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

Loans, without collateral, provided by the Company to its related parties bear interest rates the same as those provided by the banks to the Company. Due to having no credit risk, no provision were required.

Accounts receivable from YFC BONEAGLE INTERNATIONAL INC. (PHILIPPINES), with over due of 91 days and 181 days, respectively, recognized as loans to related parties.

2) Loans provided by related parties to the Company were as follows :

	December 31, 2020	December 31, 2019
EUROPOWER INTERNATIONAL LIMITED	<u><u>\$ 1,009,265</u></u>	<u><u>299,300</u></u>

Loans to the Company were unsecured, thus, no interest is required.

(vi) Endorsements and guarantees

1) The amounts of endorsements and guarantees provided by the Group to its related parties for their loans were as follows:

	2020		
	Maximum endorsement amount approved by the Board of Directors	Ending balance	Collateral
EUROPOWER INTERNATIONAL LIMITED	\$ 120,800	-	Promissory note of parent company
WUXI UNIVERSAL NETWORK CORPORATION	1,176,963	984,264	Promissory note of parent company
Total	\$ 1,297,763	984,264	

	2019		
	Maximum endorsement amount approved by the Board of Directors	Ending balance	Collateral
EUROPOWER INTERNATIONAL LIMITED	\$ 1,048,730	119,720	Promissory note of parent company
WUXI UNIVERSAL NETWORK CORPORATION	1,097,450	1,079,725	Promissory note of parent company
Total	\$ 2,146,180	1,199,445	

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(vii) Other

Recognized item	Name of related party	2020	2019
Interest revenue	WUXI UNIVERSAL NETWORK CORPORATION	\$ 892	716
Interest revenue	YFC BONEAGLE INTERNATIONAL INC.	- 284	284
Total		<u><u>\$ 892</u></u>	<u><u>1,000</u></u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 26,165	26,021
Post-employment benefits	380	353
Total	<u><u>\$ 26,545</u></u>	<u><u>26,374</u></u>

For the years ended December 31, 2020, the Company rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$806 and the amount of rent expense recognized was \$17.

For the years ended December 31, 2019, the Company rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$1,376 and the amount of rent expense recognized was \$107.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Property, plant, and equipment	Long-term borrowings	\$ 255,350	124,642
Guarantee deposits paid	Customs security deposits	329	325
Total		<u><u>\$ 255,679</u></u>	<u><u>124,967</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

(i) The Company entered into separate agreements with its suppliers for the purchase of copper. If the Company makes payments in advance, the Company may claim a discount based on the agreements, starting from the payment date until the shipment date. In the event the Company did not comply with provisions and terms in the contract, the Company shall pay interest on the amount overdue. Details of contracts are summarized as follows:

Supplier	Contract Period	Pricing Terms	Product	Breach Clause
A	2020.01~2020.12	Average price (in USD) listed in LME of the previous month, plus, US\$113, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,300 per ton of conversion cost	960~2,160 tons of copper wire	Late payment surcharge at 10% annual rate
F	2020.01~2020.12	Average price (in USD) listed in LME of the previous month, plus, US\$113, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,300 per ton of conversion cost	600~1,200 tons of copper wire	Supplier can demand back parts of the unpaid purchased wires upon overdue

(ii) The Company's unrecognized contractual commitments are as follows:

	December 31, 2020	December 31, 2019
Unused letters of credit	<u><u>\$ 982</u></u>	<u><u>2,141</u></u>

(iii) Unused letters of credit: None.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

by Nature	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	50,153	68,418	118,571	32,610	52,115	84,725
Labor and health insurance	4,112	4,691	8,803	2,788	4,581	7,369
Pension	1,497	2,661	4,158	847	2,334	3,181
Remuneration of directors	-	17,738	17,738	-	8,311	8,311
Other employee benefits	3,395	2,041	5,436	2,111	1,489	3,600
Depreciation	20,589	2,709	23,298	12,921	4,185	17,106
Amortization	1,697	1,324	3,021	613	1,856	2,469

The numbers of employees and additional information of employee benefit of the Company for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Number of employees	<u>154</u>	<u>142</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 925</u>	<u>\$ 727</u>
The average salaries and wages	<u>\$ 801</u>	<u>\$ 623</u>
The adjustment of the average salaries and wages	<u>28.57 %</u>	
Renumeration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy, including directors, managers, and employees, is as follows:

The remuneration of internal directors depends on the Company's operational performance and the extent of individual director involved in corporate management activities according to the weight distribution for reasonable renumeration.

The Company's independent directors are not included in the surplus distribution of directors; instead, the Company awards them with an annual fixed renumeration based on their administrative task and responsibility.

The Company's manager and employee salaries include monthly salaries, performance bonus based on each individuals operational performance, and employee renumeration. The awards to managers and employees depends on their corresponding job title, contribution to the Company, as well as their performance.

The Company's surplus distribution as renumeration to directors and employees is discussed and approved by the Remuneration Committee and submitted to the Board of Directors for resolution.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2020 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of funding for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	
												Item	Value			
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	162,450 (RMB38,000)	78,336 (RMB18,000)	78,336 (RMB18,000)	1~1.15%	1	2,076,759	Business operation	-	-	-	2,076,759	2,076,759
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	43,786 (USD1,488)	32,543 (USD1,145)	32,543 (USD1,145)	-	2	-	Business operation	-	-	-	656,238	1,049,980
0	The Company	PREMIUM-LINE KSI GMBH	Other receivables	Yes	40,068 (EUR1,200)	-	-	-	2	-	Business operation	-	-	-	656,238	1,049,980
0	The Company	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	86,362 (USD2,860)	-	-	-	2	-	Business operation	-	-	-	656,238	1,049,980
1	PRIME WIRE & CABLES INC.	BESTLINK NETWARE INC.	Other receivables	Yes	15,100 (USD500)	14,215 (USD500)	5,686 (USD500)	4.25%	2	-	Business operation	-	-	-	901,058	901,058
2	EUROPOWER INTERNATIONAL LIMITED	MONOPRICE, INC.	Other receivables	Yes	302,000 (USD1,000)	-	-	3%	2	-	Business operation	-	-	-	1,395,861	1,395,861
2	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	Other receivables	Yes	52,719 (USD1,511)	52,629 (USD1,859)	52,629 (USD1,859)	-	2	-	Business operation	-	-	-	1,395,861	1,395,861
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	121,052 (USD4,258)	121,052 (USD4,258)	121,052 (USD4,258)	0~1.15%	2	-	Business operation	-	-	-	1,395,861	1,395,861
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	1,211,280 (USD35,500)	1,009,265 (USD35,500)	1,009,265 (USD35,500)	-	2	-	Business operation	-	-	-	1,395,861	1,395,861
2	EUROPOWER INTERNATIONAL LIMITED	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	84,189 (USD2,860)	81,301 (USD2,860)	81,301 (USD2,860)	-	2	-	Business operation	-	-	-	1,395,861	1,395,861

Note 1: The numbers are filled in as follows:

1. 0 represents the Company
2. Investees are sorted in numerical order starting from 1.

Note 2: Purposes of financing are labelled as follows:

- 1.1 represents fundings for parties who has business relationship with the Company .
- 2.2 represents fundings for parties with short-term financing needs.

Note 3: The allowable aggregate amount of financing provided to others may not exceed 40% of the net worth of the Company, and the maximum financing provided to an individual company may not exceed 25% of the net worth of the Company. The allowable aggregate amount of financing provided by subsidiaries to others may not exceed the net worth of the subsidiary, and maximum financing provided to an individual company may not exceed the net worth of the subsidiary. For fundings to companies with business relationships with the Company, the total amount of such fundings shall not exceed the total transaction between the parties during the past year, wherein total transactions refer to the higher of amounts purchased or sold.

Note 4: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor (Note 1)	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (Note 4)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	EUROPOWER INTERNATIONAL LIMITED	1, 2	2,624,951	120,800	-	-	-	- %	5,249,902	Y	N	N
0	The Company	WUXI UNIVERSAL	1, 2	2,624,951	1,176,963	984,264	485,675	-	37.50 %	5,249,902	Y	N	Y
1	EUROPOWER INTERNATIONAL LIMITED	MONOPRICE, INC.	1, 3	1,395,861	604,000	568,600	156,365	-	21.66 %	2,791,722	N	N	N
2	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC	1, 3	901,058	462,475	435,370	405,546	-	16.59 %	1,802,116	N	N	N

Note 1: The numbers are filled in as follows:

1. 0 represents the Company.

2. Investees are sorted in numerical order starting from 1.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the followings:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of endorsements or guarantees to an individual company may not exceed 20% of the Company's net worth based on the most current financial statements, and the amount for overseas affiliated companies may not exceed the Company's net worth. The total amount of endorsements or guarantees provided by the Company and its subsidiaries may not exceed 200% of the Company's current net worth, and the amount of endorsements or guarantees to an individual company may not exceed 20% of the Company's current net worth. In the event the total amount exceeds more than 50% of the Company's net worth, an explanation shall be made in the shareholders' meeting. The amount of endorsements or guarantees provided by subsidiaries to overseas affiliates may not exceed the net worth of the subsidiary. Where endorsements or guarantees are provided to a company due to its business relationship with the Company, the amount may not exceed total transactions in the past year, wherein the transaction amount is the higher of the amount of purchase or sales. Current net worth is based on the most recent audited financial statements.

Note 4: The maximum amount of endorsements for investees have been approved in the Board of directors' meeting.

Note 5: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	Stock TAIPIN CIRCULATING ENTERPRISE CO., LTD.	The Company holds around 15.81% shares in the investee.	Non-current financial assets at fair value through other comprehensive	-	-	15.81 %	-	1

Note 1: In 2015, the Company determined that the investee was showing indications of impairments and recognized the full amount of impairment loss. In 2016, the investee ceased its business operation, and have yet to be liquidated as of December 31, 2020.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others		Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	698,017 (USD23,711)	16.34 %	OA 90 days	-	-	(107,918) (USD3,796)	(16.82)%	
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	2,076,759 (USD70,720)	48.60 %	OA 90 days	-	-	(413,367) (USD14,540)	(64.40)%	
PRIME WIRE & CABLE, INC.	The Company	Subsidiary to parent company	Purchase	579,329 (USD19,664)	36.69 %	OA 90 days	-	-	(177,507) (USD6,244)	(98.92)%	
BESTLINK NETWARE INC.	The Company	Subsidiary to parent company	Purchase	187,887 (USD6,332)	76.75 %	OA 90 days	-	-	(97,536) (USD3,431)	(100.00)%	
MONOPRICE, INC.	The Company	Subsidiary to parent company	Purchase	327,182 (USD11,200)	14.16 %	OA 60 days	-	-	(174,215) (USD6,128)	(23.78)%	

Note 1: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 29.4754.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 28.43.

Note 3: In preparing the consolidated financial report, the transactions listed above have been eliminated.

Note 4: Related-party transactions on sales and receivables are disclosed in note (13)(a)(x) of the consolidated financial report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	PRIME WIRE & CABLE, INC.	Parent company to subsidiary	Accounts receivable: 177,507	4.14	-	-	122,281	-
The Company	MONOPRICE INC.	Parent company to subsidiary	Accounts receivable: 174,215	2.47	-	-	10,525	-
The Company	BESTLINK NETWARE INC.	Parent company to subsidiary	Accounts receivable: 97,536	2.01	-	-	34,465	-
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	The Company	Subsidiary to parent company	Accounts receivable: 107,927	7.41	-	-	107,927	-
WUXI UNIVERSAL NETWORK CORPORATION	The Company	Subsidiary to parent company	Accounts receivable: 413,367	5.51	-	-	413,367	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of March 12, 2021.

Note 2: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 29.4754.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 28.43.

Note 4: In preparing the consolidated financial report, the transactions listed above have been eliminated.

- (ix) Trading in derivative instruments:None.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Investment income (loss)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I.	Holding company set up for investments in Philippines, China and USA	1,781,915 (USD54,243)	1,781,915 (USD54,243)	53,906	100.00 %	3,188,758	(15,370)	(26,672)	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the increasing in downstream unrealized profit amounting to \$15,724 from subsidiaries in the US and the Philippines and the decreasing in sidestream unrealized loss of \$4,422.
"	BESTLINK NETWARE INC.	USA	Trading business	31,393 (USD1,000)	31,393 (USD1,000)	1,000	100.00 %	19,447	13,033	13,033	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50)	1,496 (USD50)	50	100.00 %	42,905	13,908	13,908	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600)	28,193 (EUR600)	-	100.00 %	(44,043)	(8,582)	(8,582)	
"	MONOPRICE HOLDINGS, INC	USA	Holding company set up for investments in USA	1,031,853 (USD32,507)	1,031,853 (USD32,507)	100	100.00 %	1,200,451	94,168	94,168	
"	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30)	1,077 (EUR30)	-	100.00 %	-	(336)	(336)	
"	YUE FONG COMPANY LIMITED	Vietnam	Trading business	5,989 (USD200)	-	-	100.00 %	2,114	(1,888)	(1,888)	Note 2
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Cayman Islands	Holding company set up for investments in China and USA	752,008 (USD22,807)	752,008 (USD22,807)	22,807	100.00 %	1,242,697	61,188	61,188	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I	Trading business	161,778 (USD4,890)	161,778 (USD4,890)	4,890	100.00 %	1,395,861	(57,826)	(57,826)	
"	UNIVERSAL NETWORK CORPORATION	Samoa	Holding company set up for investments in China	646,459 (USD20,000)	646,459 (USD20,000)	20,000	100.00 %	578,018	7,870	7,870	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720)	23,392 (USD720)	720	80.00 %	20,976	(512)	(410)	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50)	1,472 (USD50)	50	100.00 %	531	(29)	(29)	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	5,840 (USD200)	5,840 (USD200)	220	100.00 %	(29,271)	(22,113)	(22,113)	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20)	608 (USD20)	75	100.00 %	(3,511)	(4,061)	(4,061)	Note 1
"	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Philippines	Manufacturing and sales of power cable, wires, network equipment and cable	6,170 (USD200)	6,170 (USD200)	200	100.00 %	5,591	-	-	Note 1
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100)	3,085 (USD100)	1,000	100.00 %	13,117	17	17	
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	PRIME WIRE & CABLE, INC.	USA	Sale of electronic calculator software and hardware, network equipment and electronic appliances	511,700 (USD15,500)	511,700 (USD15,500)	15,500	100.00 %	901,058	92,435	92,435	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507)	1,031,853 (USD32,507)	500	100.00 %	1,200,451	94,168	94,168	

Note 1: BVI received the full investment amount from Company in October 2019 and established its new subsidiary. (YFC DEVELOPMENT CORPORATION, YFC BONEAGLE ELECTRONIC THCHNOLGY PHILS. CORPORATION)

Note 2: The Company directly established its new subsidiary, YUE FONG COMPANY LIMITED, In February 2020, with the investment amount having been paid in full.

Note 3: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of December 31, 2020	Accumulated remittance of earnings in current period
					Outflow	Inflow						
DONGGUAN YFC	Manufacturing and sale of power cables, wires, and outlets	241,998 (USD7,387)	(2)	240,494 (USD7,007)	-	-	240,494 (USD7,007)	(27,338)	100.00%	(27,338) (1)	312,796	-
WUXI UNIVERSAL	Manufacturing and sale of high-speed high-frequency LAN cables	646,459 (USD20,000)	(2)	646,459 (USD20,000)	-	-	646,459 (USD20,000)	5,358	100.00%	5,358 (1)	572,276	-
CHENZHOU YFC	Processing and sale of communication products and internet cables	9,593 (USD300)	(2)	9,593 (USD300)	-	-	9,593 (USD300)	(2,399)	100.00%	(2,399) (1)	(755)	-
INTERNATIONAL TRADING (WUXI)	Sale of electronic calculator software and hardware, network equipment and electronic appliances	31,032 (USD1,000)	(2)	23,381 (USD753)	-	-	23,381 (USD753)	(542)	75.60%	(410) (1)	26,219	-
T-MARK	Wholesaling business	900,877 (HKD234,228)	(2)	167,022 (HKD42,000)	-	-	167,022 (HKD42,000)	-	15.81%	- (2)	(Note 6)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3 and 4)	Upper Limit on Investment (Note 5)
1,084,829 (USD33,643)	1,101,189 (USD34,022)	-

Note 1: The method of investments are as follows:

- (1) Direct investment in subsidiaries in Mainland China.
- (2) Indirect investment through investment holdings companies
- (3) Others

Note 2: The investment gains and losses for the period are:

- (1) recognized based on the Company's financial statements, as audited by the CPA
- (2) not recognized as profit or loss, and is instead recognized as financial asset at the fair value of the investment

Note 3: The amount shown is the actual accumulated investment in Mainland China as of December 31, 2020.

Note 4: The amount authorized does not include the reinvestment of earnings of the subsidiary DONGGUAN YFC, which amounted to USD379 thousand.

Note 5: Limitation on investment in Mainland China is calculated as 60% of the net worth of the Company. The Group has acquired the relevant investment approval documents issued by Industrial Development Bureau, Ministry of Economic Affairs on May 8, 2020, and it is applicable from May 7, 2020 to May 6, 2023. Therefore, there is no restriction on the Company's investment in Mainland China.

Note 6: Please refer to note (13)(a)(iii) for details.

Note 7: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(iii) Significant transactions:

Please refer to "Information on significant transaction" for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Company and the investee companies in Mainland China during the years ended December 31, 2020.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
GOOD WIN INVESTMENT CO., LTD		6,635,361	5.04 %

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(14) Segment information:

Please refer the consolidated financial statements for the year ended December 31, 2020.

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 140
Cash in bank	Check deposits	768
	Demand deposits	<u>154,754</u>
	Subtotal	<u>155,522</u>
Total		\$ 155,662

Foreign currency accounts were converted based on the average exchange rates of Bank of Taiwan on December 31, 2020.

USD:NTD=1:28.4300

EUR:NTD=1:34.8200

CNY:NTD=1:4.3572

Statement of notes receivable

Client name	Description	Amount
YUEH SHYANG OPTICAL ELECTRONICS, INC.	Sales	\$ 1,893
RUNASIA COMMUNICATIONS LTD	"	1,312
SHANG HONG TECHNOLOGY CO., LTD	"	202
Others (individual accounts with less than 5% of the total amount)	"	<u>55</u>
Total		\$ <u>3,462</u>

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of trade receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
LOWE'S COMPANIES, INC.	Sales	\$ 1,021,749
PRIME WIRE & CABLE, INC.	"/	177,507
MONOPRICE, INC.	"/	174,215
BESTLINK NETWARE INC.	"/	97,536
Others (individual accounts with less than 5% of the total amount)	"/	<u>330,587</u>
Subtotal		1,801,594
Less: Loss allowance		<u>(1,732)</u>
Total		\$ <u>1,799,862</u>

Statement of inventories

Item	Amount	
	Cost	Net realizable Value
Merchandise inventory	\$ 18,801	18,653
Finished goods	30,570	32,668
Work in progress	123,075	123,948
Raw materials	43,013	42,979
Supplies	<u>3,361</u>	<u>3,359</u>
	<u>218,820</u>	<u>\$ 221,607</u>
Less: Allowance for inventory impairment		<u>(3,593)</u>
Total	\$ <u>215,227</u>	

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition(note 2)		Decrease		Reclassificati on	Increase (Decrease) in unrealize loss on downstream transactions (note 1)	Increase (Decrease) in investment (loss) profit of recognized under equity method	Adjustment for foreign currency translation	Ending Balance			Ending Balance(note 3)		
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount					Shares or units	Shareholding ratio	Amount	Unit price (note 4)	Fair value or net value of equity	Provided guarantee or pledge
YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	53,906	\$ 3,323,513	-	-	-	-	-	(84)	(26,671)	(108,000)	53,906	100 %	3,188,758	59.15	3,188,758	None
BESTLINK NETWARE INTERNATIONAL CORPORATION	1,000	7,239	-	-	-	-	-	-	13,033	(825)	1,000	100 %	19,447	19.45	19,447	None
UNC INVESTMENT & DEVELOPMENT	50	31,046	-	-	-	-	-	-	13,908	(2,049)	50	100 %	42,905	858.10	42,905	None
PREMIUM-LINE KSI GMBH	-	(31,344)	-	-	-	-	-	-	(8,582)	(4,117)	-	100 %	(44,043)	-	(44,043)	None
MONOPRICE HOLDINGS, INC.	100	1,168,166	-	-	-	-	-	-	94,168	(61,883)	100	100 %	1,200,451	12,004.51	1,200,451	None
PREMIUM-LINE SYSTEMS GMBH	-	334	-	-	-	-	-	-	(336)	2	-	100 %	-	-	-	-
YUE FONG COMPANY LIMITED	-	-	-	5,989	-	-	-	-	(1,888)	(1,987)	-	100 %	2,114	-	2,114	-
Subtotal		4,498,954		5,989		-	-	(84)	83,632	(178,859)			4,409,632		4,409,632	
Credit balance of investments accounted for using equity method	-	31,344		-		12,699	-	-	-	-			44,043			
Total	\$ 4,530,298		5,989		12,699		(84)	83,632	(178,859)				4,453,675			

Note 1: Investment accounted for using equity method comprised of downstream unrealized gross loss (profit) from subsidiaries and the decrease in current unrealized net loss of \$84.

Note 2: Investment funds for new established subsidiaries in the current period.

Note 3: The fair value cannot be estimated because the investment accounted for using the equity method was invested in an unlisted (counter) company not traded in the public market.

Note 4: PREMIUM LINE KSI GMBH, PREMIUM LINE SYSTEMS GMBH and YUE FONG COMPANY LIMITED did not disclose their net value per share due to their place of registration having restrictions on the issuance of stocks.

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of short-term notes and bills payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Institution	Contract period	Interest rate	Amount				Collat eral
				Issuing amount	Unamortized discount	Carrying amount		
Commercial Paper	Mega Bills Finance	2020.12.30~2021.02.26	Note	\$ 80,000	98	79,902		None
Commercial Paper	Taiwan Bills Finance	2020.11.16~2021.01.15	Note	50,000	16	49,984		None
				\$ 130,000	114	129,886		

Note 1:Note: The borrowing rate ranged from 1.14% to 1.16%。

Statement of trade payables

Vendor name	Description	Amount
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Purchase	\$ 107,918
WUXI UNIVERSAL NETWORK CORPORATION	"	413,367
Others (individual accounts with less than 5% of the total amount)		120,544
Total		\$ 641,829

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of short-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Ending balance	Contract period	Interest rate	Financing amount	Collateral
Land Bank of Taiwan	Unsecured	\$ 70,000	2020.12.09~2021.02.18	Note	70,000	None
E.Sun Commercial Bank, Ltd.	Unsecured	50,000	2020.12.18~2021.02.18	Note	50,000	None
Yuanta Commercial Bank Co., Ltd.	Unsecured	100,000	2020.12.24~2021.03.23	Note	100,000	None
Taishin International Bank Co., Ltd.	Unsecured	100,000	2020.12.28~2021.01.28	Note	100,000	None
Jih Sun International Bank	Unsecured	95,303	2020.10.20~2021.03.12	Note	100,000	None
Hua Nan Commercial Bank	Unsecured	155,000	2020.09.14~2021.09.14	Note	200,000	None
Bank SinoPac Co., Ltd.	Unsecured	100,000	2020.10.15~2021.01.13	Note	200,000	None
EnTie Commercial Bank	Unsecured	100,000	2020.10.16~2021.01.14	Note	100,000	None
Bank of Taiwan	Unsecured	100,000	2020.12.25~2021.03.25	Note	100,000	None
O-Bank	Unsecured	100,000	2020.12.25~2021.03.25	Note	200,000	None
Taiwan Shin Kong Commercial Bank Co., Ltd.	Unsecured	70,000	2020.12.11~2021.03.11	Note	70,000	None
KGI Commercial Bank Co., Ltd.	Unsecured	300,000	2020.11.27~2021.02.26	Note	300,000	None
Mega International Commercial Bank Co., Ltd.	Unsecured	59,300	2020.09.14~2021.03.29	Note	60,000	None
Chinatrust Commercial Bank	Unsecured	50,000	2020.10.08~2021.01.08	Note	100,000	None
The Export-Import Bank of the Republic of China	Unsecured	150,000	2020.05.26~2021.05.26	Note	150,000	None
First Commercial Bank	Unsecured	100,000	2020.12.11~2021.02.09	Note	100,000	None
Total		\$ <u>1,699,603</u>			<u>2,000,000</u>	

Note: The borrowing rate ranging from 0.72% to 1.25%, and the total unused credit line of financing provided by the bank, amounted to \$650,004, including long term borrowings and commercial paper payables.

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of long-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Ending balance	Contract period	Interest rate	Collateral
		\$		Note	
Taiwan Business Bank	Unsecured	\$ 66,667	2019.04.11~2024.04.11, Monthly interest payment and repayment in 60 installments		None
Bank of Taiwan	Government low-interest loan	10,700	2019.12.30~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	15,900	2020.03.30~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	11,760	2020.04.30~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	19,140	2020.05.29~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	8,410	2020.06.30~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	8,630	2020.07.31~2026.12.30, Quarterly interest payment and repayment in 48 installments after grace period	"	"
Bank of Taiwan	"	10,300	2019.12.30~2026.12.30, Monthly interest payment and repayment in 48 installments after grace period	"	"
The Shanghai Commercial & Savings Bank	Unsecured	140,000	2019.08.16~2022.07.15, Quarterly interest payment and repayment in 10 installments	"	"
Taiwan Shin Kong Commercial Bank Co., Ltd.	"	170,000	2020.12.30~2023.12.03, Monthly interest payment and repayment at any time	"	"
O-Bank	"	100,000	2020.07.01~2023.06.30, Quarterly interest payment and repayment in 9 installments	"	"
Subtotal		<u>561,507</u>			
Less: Goverment low-interest loan recognized as deferred income		<u>(4,654)</u>			
Unsecured loan subtotal		<u>556,853</u>			
Taiwan Shin Kong Commercial Bank Co., Ltd.	Mortgage	55,524	2013.10.02~2028.09.02, Monthly interest payment and repayment in 180 installments	1.42 %	Land and building
Bank of Taiwan	"	105,000	2020.02.25~2040.02.25, Monthly interest payment and repayment in 240 installments	1.18 %	Land
Secured loan subtotal		<u>160,524</u>			
Total		<u>717,377</u>			
Less: Current portion		<u>(128,464)</u>			
Non-current portion		<u>\$ 588,913</u>			

Note: The borrowing rate ranged from 1.25% to 1.55%.

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Lease term	Discount rate	Ending balance
Building	For factory use	3 years	1.2%	\$ 13,252
Vehicles	For business use	3 years	1.7%	<u>240</u>
				13,492
Less: Current portion				<u>(8,201)</u>
Non-current lease liabilities				<u><u>\$ 5,291</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of operating revenue

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
LAN		
- LAN CABLE	111,555,096m	\$ 696,715
- PATCH CORD	25,287,507pcs	609,794
POWER CORD	16,299,915pcs	3,182,163
CONNECTOR	4,278,503pcs	100,788
Others (individual accounts with less than 5% of the total amount)	Note	311,538
Total		4,900,998
Less: sales returns and allowances		(83,400)
Net operating revenue		<u><u>\$ 4,817,598</u></u>

Note: Other items did not show any details due to their different units of quantity.

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of sales from manufacturing		
Raw materials, beginning of year	\$ 29,092	
Raw materials purchased	621,481	
Raw materials, end of year	(43,013)	
Less : Collect the raw materials	<u>(2,451)</u>	
Raw materials consumed		605,109
Supplies, beginning of year	2,334	
Supplies purchased	31,788	
Supplies, end of year	(3,361)	
Less : Collect the supplies	<u>(26)</u>	
Accessories consumed		30,735
Direct Labor		24,326
Manufacturing overhead		<u>148,031</u>
Manufacturing cost		808,201
Add: Work in process, beginning of year		67,197
Work in process purchased		27,532
Less: Work in process, end of year		<u>(123,075)</u>
Collect the work in process		<u>(7,682)</u>
Cost of finished goods		772,173
Add: Finished goods, beginning of year		22,099
Finished goods purchased		47,429
Other		<u>(33,823)</u>
Less: Finished goods, end of year		<u>(30,570)</u>
Collect the finished goods and gain on physical inventory count		<u>(1,988)</u>
Cost of sales from manufacturing		775,320
Cost of sales from purchasing		
Merchandise inventory, beginning of year	18,865	
Merchandise inventory purchased	3,534,542	
Merchandise inventory, end of year	<u>(18,801)</u>	
Cost of sales from purchasing		<u>3,534,606</u>
Total operating costs	<u>\$ 4,309,926</u>	

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of manufacturing overhead

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salary and Wages	\$ 28,903
Depreciation	20,589
Amortization	1,697
Insurance	2,888
Repair and maintenance expense	6,944
Utilities	13,307
Import/Export (Customs) Expense	3,043
Taxes	146
Freight charge	3,797
Processing expenses	43,364
Pension expense	1,173
Food stipend	1,128
Consumable supplies	7,207
Other Expenses	<u>13,845</u>
Total	<u><u>\$ 148,031</u></u>

YFC-BONEAGLE ELECTRIC CO., LTD.

Statement of operating expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Selling Expense	Administrative Expenses	Research and Development Expenses	Total
Salary and Wages	\$ 15,395	48,977	4,046	68,418
Remuneration of directors and supervisors	-	17,738	-	17,738
certification fees	91	12,871	131	13,093
Traveling Expenses	798	233	167	1,198
Insurance	2,233	3,923	410	6,566
Freight charge	3,834	287	50	4,171
Postage and Phone/Fax Expense	199	2,108	29	2,336
Amortization	310	1,014	-	1,324
Advertisements	885	779	-	1,664
Depreciation	415	1,822	472	2,709
Research and Development Expenses	-	-	2,305	2,305
Pension expense	982	1,520	159	2,661
Entertainments	124	1,113	-	1,237
Professional service fees	25	9,424	1	9,450
Commission expense	14,930	-	-	14,930
Services fees for stock	-	2,912	-	2,912
Other Expenses	15,401	12,595	653	28,649
Subtotal	<u>55,622</u>	<u>117,316</u>	<u>8,423</u>	181,361
Expect credit loss				(2)
Total				<u>\$ 181,359</u>

Please refer to Note 6(f) for “Statement of Changes in Property, Plant and Equipment”.

Please refer to Note 6(g) for “Statement of Changes in Right-of-use Assets”.

Please refer to Note 6(h) for “Statement of Change in Intangible Assets”.

Please refer to Note 6(i) for “Statement of Other Current Asset and Other Non-current Assets”.

Please refer to Note 6(n) for “Statement of Other Payables and Other Current Liabilities”.

Please refer to Note 6(r) for “Statement of Changes in Deferred tax assets and liabilities”.